

**PUBLIC DISCLOSURE**

APRIL 22, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

NORTHERN MASSACHUSETTS TELEPHONE WORKERS' CREDIT UNION

87 HALE STREET  
LOWELL, MA 01851

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **NORTHERN MASSACHUSETTS TELEPHONE WORKERS' CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **APRIL 22, 2003**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

**INSTITUTION'S CRA RATING: This institution is rated "High Satisfactory "**

Northern Massachusetts Telephone Workers' Credit Union's performance as measured by the CRA Large Institution Examination procedures warranted a High Satisfactory rating. The following summarizes the efforts made by the board of directors, management, and staff to meet the credit union's CRA responsibilities.

As an industrial credit union which identifies its assessment area according to affiliation rather than residence, the credit union was evaluated under the Lending Test and the Services Test. No evaluation of Investments was conducted in accordance with 209 CMR 46.00, the Massachusetts CRA regulation

Under the Lending Test, the credit union is assigned an overall High Satisfactory rating based on the credit union's performance in providing consumer and mortgage loans to low- and moderate-income individuals. Approximately 45 percent of the consumer loans were made to low- and moderate-income individuals. The credit union's distribution of its home mortgage loans among borrowers of different income levels was also good since approximately 20 percent of these loans went to low and moderate-income individuals. The credit union's introduction of a first-time homebuyer program and its introduction of a credit builder program was also a factor in the credit union's rating.

Under the Service Test, the credit union is rated High Satisfactory. The credit union's delivery systems and alternate delivery systems are readily accessible to all members. The credit union has also provided members with a large array of low-cost products to conduct their financial transactions. Credit union personnel have met with local community organizations and have donated their time and expertise through their volunteer efforts and have provided leadership roles in those organizations.

### **LENDING AND SERVICE TEST TABLE**

The following table indicates the performance level of **Northern Massachusetts Telephone Workers' Credit Union, Lowell, Massachusetts**, with respect to the lending, and service tests.

<b>PERFORMANCE TESTS</b> <b>Northern Massachusetts Telephone Workers' Credit Union</b>		
<b>Performance Levels</b>	Lending Test*	Service Test
Outstanding		
High Satisfactory	<b>X</b>	<b>X</b>
Satisfactory		
Needs to Improve		
Substantial Non-Compliance		

\*Note: The Lending Test is weighed more heavily than the Service Test when arriving at an overall rating.

## **PERFORMANCE CONTEXT**

### **DESCRIPTION OF INSTITUTION**

Northern Massachusetts Telephone Workers' Credit Union is an industrial credit union chartered by the Commonwealth of Massachusetts in 1922. Membership is currently open to present or retired employees of American Telephone and Telegraph Company, the seven divested Bell Companies, their subsidiaries, Bell Communications Research, Inc., and families of such members. Additionally, membership is available to employees of entities within the Commonwealth of Massachusetts whose primary business is within the communications industry.

As of March 31, 2003, Northern Massachusetts Telephone Workers' Credit Union had \$389,580,397 in total assets. Of these assets, approximately \$219,489,252 or 56.3 percent were in the form of loans.

Residential loans, including lines of credit, represent the largest percentage of the loan portfolio. Refer to the following table for the distribution of the credit union's loan portfolio.

#### **Loan Portfolio Composition**

<b>Loan Type</b>	<b>Amount (000s)</b>	<b>Percent</b>
Residential First Mortgages	143,354	65.3
Other Real Estate/Lines of Credit	19,844	9.0
Used Vehicle Loans	15,939	7.3
Unsecured Credit Card Loans	14,268	6.5
All Other Unsecured Loans/Lines of Credit	13,643	6.2
New Vehicle Loans	10,951	5.0
Total All Other Loans/Lines of Credit	1,490	0.7
<b>Total Gross Loans</b>	<b>219,489</b>	<b>100.0</b>

Source: March 31, 2003 Statement of Financial Condition.

As of March 31, 2003, the credit union's net loan-to-share ratio was 64.4 percent. The credit union's net loan-to-share ratios have steadily increased since the prior examination and over the last eight quarters. The average net loan-to-share ratio for the eight quarterly periods is 62.7 percent. During this time period, net loans increased 27.3 percent while shares and deposits increased by only 13.3 percent. This is due primarily to the low interest rate environment, which generated a large demand for home refinances.

In August of 2000, the credit union was granted parity powers by the Commissioner of Banks, enabling it to increase the loan amounts on consumer loans, home improvement

loans and real estate loans with varying terms. It also received the ability to participate in community development loan pools and investments.

Northern Massachusetts Telephone Workers' Credit Union is headquartered at 87 Hale Street in Lowell, Massachusetts and is located in a moderate-income census tract. The credit union also operates two offices located at 969 Concord Street in Framingham and at 110 Newbury Street in Danvers.

Northern Massachusetts Telephone Workers' Credit Union has competition from several financial institutions. These financial institutions include but are not limited to the following: Telephone Workers Credit Union (Boston); Jean D' Arc Credit Union (Lowell); Metro Credit Union (Chelsea); Digital Federal Credit Union (Marlborough); and St. Mary's Credit Union (Marlborough), as well as representatives of regional and national banks and mortgage companies. The market influence from these institutions appears to be significant, and as a result, serves to keep the credit union's rates and services offered competitive.

The Massachusetts Division of Banks conducted a CRA Examination using the large bank examination procedures on August 21, 2000, which resulted in a rating of Satisfactory. The credit union's ability to meet credit needs of its community remains strong based on the financial condition and size of the institution. However, as a state chartered credit union, Northern Massachusetts Telephone Workers' Credit Union is limited in its lending activities by restrictions imposed on it by Massachusetts General Laws, the National Credit Union Administration (NCUA), and, by the institution's own by-laws. The credit union is limited to offering retail financial services only to its members (those who are retirees or employed by AT&T, the seven diversified Bell Companies...etc.); the credit union is not authorized to make commercial loans and is limited in its ability to be involved in community development projects. As mentioned above, the credit union received parity powers enabling it to participate in community development loan pools and investments in 2000.

### **Description of Field of Membership/Assessment Area**

As an industrial credit union, Northern Massachusetts Telephone Workers' Credit Union is restricted by charter in regards to its membership. The credit union defines its membership as "...limited to those who are retired employees, or presently employed by, American Telephone and Telegraph Company, the seven diversified Bell Companies, their subsidiaries, Bell Communications Research, Inc. (Bellcore), this credit union or the communication industry and the families of such members...."The communication industry includes companies in Massachusetts that operate as other telephone companies, alarm companies, micro and computer companies, media entities such as television broadcasting, cablevision, radio, networks and stations, and newspapers and publishing and printing companies.

According to 209 CMR 46.41, a credit union that does not define its membership according to residence, may identify its membership as its assessment area. Northern Massachusetts Telephone Workers Credit Union has elected to identify its assessment in this manner.

As of June 30, 2002, the credit union's membership totaled approximately 24,000 individuals. According to an internal report generated by the credit union, 39.0 percent of the members are between the ages of 25-40, however, members 70 and over control 36.2 percent of the shares of the credit union.

Members are primarily located in the eastern portion of Massachusetts and southern New Hampshire. Approximately 95 percent of the membership reside in the Boston, Lowell, Lawrence, and Nashua Metropolitan Statistical Areas (MSAs).

The median family income for the Boston MSA for 2001 and 2002 was \$70,000 and \$74,200, respectively. The median family income for the Lowell MSA for 2001 and 2002 was \$70,200 and \$75,200, respectively. The income figures are based on estimated Department of Housing and Urban Development (HUD) information. Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.



## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:**

### **LENDING TEST**

The lending test evaluates a credit union's record of helping to meet the credit needs of its assessment area through its lending activities by considering the credit union's home mortgage and consumer lending activity. The credit union's lending performance is determined by the following factors: the volume of the credit union's loans, particularly to low and moderate-income borrowers; the use of innovative and flexible lending practices; and fair lending policies and practices. Based on these factors, Northern Massachusetts Telephone Workers' Credit Union lending performance receives an overall rating of High Satisfactory. The following information details the data compiled and reviewed, as well as conclusions on the credit union's performance relative to each criterion.

#### **Scope of Evaluation**

The lending test evaluates an institution's record of helping to meet the credit needs of its assessment area based on an analysis of its residential mortgages and consumer loans. Residential mortgage loans originated during 2001 and 2002 were included in the credit union's performance. In addition, a sample of the credit union's consumer loans for 2001 and all the consumer loans for 2002 were also analyzed.

The data used to evaluate the credit union's lending was derived from the HMDA/LAR (Home Mortgage Disclosure Act/ Loan Application Register) and CRA WIZ.

#### **I. Lending Activity**

Northern Massachusetts Telephone Workers' Credit Union's assets totaled \$389,580,397 as of March 31, 2003, of which gross loans represented 56.3 percent. As of March 31, 2002, the gross loan to asset ratio was 54.2 percent. The 2.1 percent increase in the gross loan to asset ratio was due to an 8.3 percent increase in assets over the past year, while gross loans increased by 12.6 percent.

An analysis of the credit union's consumer and residential loans originated was conducted. During the period reviewed, the credit union originated 8,543 consumer loans totaling \$74,494,000. The credit union also received 866 residential mortgage applications. Of this amount, 836 or 96.5 percent of the residential mortgages were originated totaling \$119,636,000. Refer to the following table for a further breakdown of lending activity by year.

<b>Northern Massachusetts Telephone Workers' Credit Union Lending Volume</b>						
<b>Loan Type</b>	<b>2001</b>		<b>2002</b>		<b>Total</b>	
	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>
Consumer	4,304	40,311	4,239	34,183	8,543	74,494
HMDA	386	53,657	450	65,979	836	119,636
<b>Total</b>	<b>4,690</b>	<b>93,968</b>	<b>4,689</b>	<b>100,162</b>	<b>9,379</b>	<b>194,130</b>

Source: HMDA and Consumer Loan Data.

The credit union experienced significant mortgage dollar loan volume between 2001 and 2002. This growth can be attributed to the fact that the credit union's parity powers were expanded enabling it to make loans of larger dollar amounts which were needed for it to compete in the lending market.

## **II. Borrower Characteristics**

The credit union's consumer and residential loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family incomes for the various Metropolitan Statistical Areas (MSA's). The income figures are based on estimated Department of Housing and Urban Development (HUD) information.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

### **Consumer Lending**

As shown in the following table, 44.6 percent of the credit union's consumer loans were to low and moderate-income borrowers. It should be noted that only a sample of loans was taken in 2001 due to tracking issues. However, more emphasis was placed on the 2002 data, which represents all consumer loan activity. Taking this into account, the credit union still originated 44.1 percent of its consumer loans to low and moderate-income borrowers. Refer to the following table below for more details.

Distribution of Consumer Loans by Borrower Income						
Median Family Income Level	2001		2002		Total	
	#	%	#	%	#	%
Low	34	33.7	569	13.5	603	13.9
Moderate	35	34.7	1,299	30.6	1,334	30.7
Middle	23	22.8	1,300	30.7	1,323	30.5
Upper	8	7.8	777	18.3	785	18.1
NA	1	1.0	294	6.9	295	6.8
<b>Total</b>	<b>101</b>	<b>100.0</b>	<b>4,239</b>	<b>100.0</b>	<b>4,340</b>	<b>100.0</b>

Source: Consumer loan files.

It should be noted that consumer loans typically consider the income of only one loan applicant, while the above analysis is based on median family income. Therefore, comparing the borrower income level on consumer loan applications to the median family income level potentially inflates the levels of lending to low and moderate-income borrowers. Nevertheless, the credit union's distribution of consumer loans demonstrates the credit union's willingness to lend to borrowers of all income levels.

## HMDA Lending

The credit union's HMDA reportable loans were also reviewed to show the number of loans the credit union made to low and moderate-income borrowers.

The following table shows the number of HMDA-reportable loans to low, moderate, middle and upper-income borrowers.

Distribution of HMDA Loans by Borrower Income						
Median Family Income Level	2001		2002		Total	
	#	%	#	%	#	%
Low	13	3.4	22	4.9	35	4.2
Moderate	51	13.2	86	19.1	137	16.4
Middle	128	33.2	139	30.9	267	31.9
Upper	194	50.2	197	43.8	391	46.8
NA	-	-	6	1.3	6	0.7
<b>Total</b>	<b>386</b>	<b>100.0</b>	<b>450</b>	<b>100.0</b>	<b>836</b>	<b>100.0</b>

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

The credit union extended 35 loans to low-income borrowers representing 4.2 percent of total loans within the assessment area. These loans represent 2.5 percent, by dollar amount, of the total loans originated within the assessment area during this period.

In addition, the credit union extended 137 loans to moderate-income borrowers, representing 16.4 percent by number. These loans represent 12.4 percent by dollar amount of the credit union's total originations within its assessment area.

Based on the information above, the credit union's consumer and residential lending to borrowers of different income levels, including those of low and moderate-income, reflects very good performance.

### **III. Geographic Distribution**

Under the CRA regulation, a credit union whose membership is not based on residence such as Northern Massachusetts Telephone Workers' Credit Union, may define its assessment area as its membership. Northern Massachusetts Telephone Workers' Credit Union has defined its assessment area in this manner and therefore no evaluation of geographic performance factors was conducted..

### **IV. Community Development Lending**

As defined in the CRA regulation, a community development loan has as its primary purpose: affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low and moderate-income geographies. In addition, unless it is for a multifamily dwelling (five or more units), the loan must not be reportable as a home mortgage or small business loan.

No community development loans were granted during the period reviewed. It is recognized that Northern Massachusetts Telephone Workers' Credit Union's ability to be involved in community development lending is limited by restrictions imposed by Massachusetts General Laws, NCUA, and its by-laws.

### **V. Innovative or Flexible Lending Practices**

This criterion evaluates an institution's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low or moderate-income individuals or geographies. An innovative practice is one that serves low and moderate-income creditworthy borrowers in new ways or serves groups of creditworthy borrowers not previously served by the institution. Northern Massachusetts Telephone Workers' Credit Union participation in flexible lending programs is detailed below.

Northern Massachusetts Telephone Workers' Credit Union First Time Home Buyer Program: The credit union introduced its own first-time homebuyer program in 2001. The

program features 95 percent LTV, no points or closing costs, and no private mortgage insurance. The credit union originated two loans totaling \$239,300 during the period under review.

Credit Builder Account: This product was introduced in May 2002 to help credit union members establish or re-establish tarnished credit. Eligible members are given a CD secured loan that is re-paid over 1-2 years. Once the loan has been paid, the proceeds of the CD are paid to the member. The credit union has originated 2 loans totaling \$4,950 under this program.

## **VI. Fair Lending Policies and Practices**

Northern Massachusetts Telephone Workers' Credit Union has a satisfactory record of implementing fair lending policies and practices. The following discussion is based on the guidelines of the Division of Banks' Regulatory Bulletin 2.3-101. The institution's loan policy prohibits discrimination against all the prohibited classes listed under the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA).

A Fair Lending review was conducted at this examination. This review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on the sample reviewed, no evidence of disparate treatment of applicants was noted.

Northern Massachusetts Telephone Workers' Credit Union is a member of the Massachusetts Credit Union League, Inc., and sends staff to attend seminars on appropriate issues. On June 19, 2002, Northern Massachusetts Telephone Workers' Credit Union's President and Chief Executive Officer and the Vice President of Lending attended a seminar sponsored by the Massachusetts Credit Union League, Inc. The seminar was entitled "Improving Performance Under CRA". One of the topics covered at the seminar was "Affordable Housing in Massachusetts".

Annually, all staff watches a video entitled "Fair Lending is Good Customer Service" produced by Bankers Video Library. In addition, viewing this video is part of the overall training of newly hired employees.

Underwriting standards conform to secondary market guidelines with qualifying ratios of 30%/45% being used for both mortgage and consumer loan underwriting. The credit union allows flexibility in their underwriting ratios where compensating factors exists, subject to the approval of the Credit Committee and/or the Board of Directors. In addition, the credit union's Internal Auditor reviews all HMDA reportable loan denials and performs a review of a sampling of consumer denials on a monthly basis. The findings of these reviews are subsequently reported to the credit union's CRA Committee and the Board of Directors.

The credit union offers Home Equity Lines of Credit up to \$500,000 with no application fees and no closing costs. This product has a 10-year draw period with interest only payments, a 10-year principal and interest repayment term, and 80 percent loan-to-value (LTV) maximums. During the week of April 28, 2003, the credit union circulated a mass mailing of pre-approvals on this product. Currently, the credit union closed 4 equity lines totaling \$92,000 as a result of this mailing.

A second mortgage loan product is also offered with the same LTV and dollar amount maximums. The credit union's home improvement loan product offers a 20-year maximum term with a maximum loan amount of \$100,000 and 100 percent LTV.

The credit union's consumer loan product offerings include new and used auto loans and recreational vehicle loans with maximum loan amounts of \$100,000, personal unsecured loans with a maximum loan amount of \$50,000, and share or certificate secured and stock secured time loans.

On March 1, 2003, Northern Massachusetts Telephone Workers' Credit Union initiated a mass mailing of pre-approvals on its existing VISA™ and MasterCard™ products. The pre-approval was for up to \$15,000 with no annual fee and a fixed rate of 9.9 percent. As of May 3, 2003, the credit union closed 64 credit card lines as a result of this mass mailing.

### **Minority Application Flow**

Northern Massachusetts Telephone Workers Credit Union's by-law provisions do not include any language relating to race, nor does the credit union maintain any racial data on its membership. Consequently a comparison of the minority application flow to the general population of the credit union membership was not possible and therefore was not conducted.

### **Conclusion - Lending Test**

The credit union's lending to applicants of different income levels is good by number and dollar amount. Consumer lending in 2002 demonstrated that 44.6 percent of the loans went to low and moderate-income borrowers. In addition, HMDA-reportable loans to low and moderate-income borrowers accounted for 20.6 percent of all the loans originated in 2001 and 2002. The credit union's fair lending activities are also considered reasonable. The credit union has also introduced two lending products that are both innovative and flexible. Therefore, the credit union's lending test is considered to be high satisfactory.

## **SERVICE TEST**

The Service Test evaluates an institution's record of helping to meet the credit needs of its customers by analyzing both the availability and effectiveness of an institution's systems for delivering retail financial services and the extent and innovativeness of its community development services. The following describes the institution's services. Northern Massachusetts Telephone Workers' Credit Union's service activities are rated "High Satisfactory".

The credit union's low cost checking and savings accounts, as well as the convenience of its automated telephone banking system service, are tailored to the convenience and needs of its assessment area.

Officers and employees of the credit union have provided a good level of service activity in response to member needs. Retail financial services and products offer consumers flexibility and convenience. In addition, officers and employees of the credit union provide a reasonable level of involvement in community organizations that address economic and affordable housing development. The following details the institution's services.

### **Retail Banking Services**

Northern Massachusetts Telephone Workers' Credit Union currently maintains 3 full-service offices, all serving the members of the credit union. The credit union's offices are located in Lowell, Danvers, and Framingham. The credit union's branch in Lowell is located in a moderate-income census tract while the credit union's other branches are located in middle-income census tracts.

Branch business hours vary and are considered convenient and the services of the credit union appear sufficient to meet the needs of the credit union members. Branch hours are Monday, Tuesday, Wednesday, and Friday 8:00am to 4:30pm, Thursday 8:00am to 6:30pm. All branch offices are open on Saturday morning from 9 till noon. The credit union's branch in Lowell offers drive-up teller service. This delivery feature allows credit union personnel to open an additional half-hour before the branch opens. In addition, Automated Teller Machines (ATM), which are linked to the "NYCE" "Plus", "Discover", "MasterCard", "Visa" and "Cirrus" networks, are located at every office location. The credit union is a member of the SUM Alliance, therefore, ATM surcharges are not charged to anyone who uses the credit union's ATMs. The credit union is also a member of the CO-OP Network. This nationwide network allows members anywhere in the country access to surcharge-free transactions and remote deposits. The credit union also operates stand-alone ATM's located in Verizon buildings located in the Cross Point Office building in Lowell and Andover, the Verizon Yellow Pages in Middleton, the Verizon training center in Marlborough, and at the 3 Com Corporation in Marlborough.

## **Record of Closing Branches**

The credit union also maintains a formal Branch Closing/Opening Policy, which outlines procedures to be followed should the decision be made to close or open a branch office.

## **Alternative Delivery Systems**

The credit union' offers its NMTWCU Visa® Card (debit card) which performs all of the same functions as an ATM card plus those of a credit card. There is no fee charged to customers who use the debit card.

In addition to branch and ATM services, Northern Massachusetts Telephone Workers' Credit Union offers a free 24-hour automated phone banking system. Users of the system can check account balances, review deposits and withdrawals, see what checks have cleared, obtain payment information for personal, home equity, and mortgage loans, transfer money between NMTWCU accounts, obtain current overdraft information and get information on all the credit union's branches and services.

In addition to the above options, the credit union also hosts a website at [www.nmtwcu.org](http://www.nmtwcu.org). The site allows customers the ability to manage one's finances from a home or office computer, free of charge. Through the *On-line Bill Payment* service, customers are able to access accounts, transfer funds, reference account summaries, visit on-line statements, view uncollected funds, place a stop payment request, obtain deposit account disclosures, and communicate with Northern Massachusetts Telephone Workers' Credit Union through electronic mail. The credit union also makes available personal computers with internet access in the lobbies of each branch to provide educational and technical assistance to members who wish to learn to use the features of the credit union's Webster.

Currently, the credit union has 71 full-time and 16 part-time employees. Among the institution's staff, there are employees who are bilingual in Spanish, Russian, French, Portuguese, Lebanese, Hebrew, Khmer, and Greek.

## **Other Services**

A variety of deposit and loan products are available at Northern Massachusetts Telephone Workers' Credit Union locations. The credit union offers checking, passbook and statement savings, certificates of deposit, money market accounts, holiday clubs and individual retirement accounts. The credit union also offers first and second mortgages, home equity lines, home improvement loans, new and used auto loans, personal, secured, vacation, computer, student, and tax loans.

The credit union offers several low cost accounts to its members including:



Basic checking: This checking account has a \$100 minimum balance requirement. There is a \$2.00 monthly service charge for balances below the minimum. There is also a \$0.20 fee per check for balances below the minimum.

Basic Savings: This savings account has a \$25.00 minimum balance requirement and has no monthly fees or charges.

Direct Deposit: The direct deposit account has a \$1.00 minimum balance requirement and includes basic checks with no monthly service charges.

4 Star Checking: This account, with direct deposit, has no minimum balance, has unlimited Visa® debit transactions, free checks, and free check writing. It also features unlimited on line bill payments and earns interest or check imaging. It also offers a 3 percent rate reduction on the overdraft line of credit. The account also comes with a credit card with no annual fee.

New Baby Accounts: To encourage a savings plan at even the earliest age, members who become the parents of a new baby are entitled to a complimentary \$25.00 share account for him/her.

Youth Package: This program, geared to members aged 17-23, includes a free checking account, student credit card, checking account ATM/Visa® debit card, reconciliation instructions, and student loan information. New members who open a youth package receive a complimentary \$25.00 share.

In addition, free checking accounts are available to members who choose direct deposit of their pay or pension, youths aged 17-23, and for senior members aged 60 or over.

Northern Massachusetts Telephone Workers' Credit Union also offers insurance products including life, auto, credit life and disability, and long term care. Convenience services include check imaging, cashier checks, money orders, safe deposit boxes, travelers checks, and wire services. Investment services are available at the bank's branches through the investment center. Investment products offered include annuities, stocks, bonds, and mutual funds.

The credit union has maintained a partnership with Allanach Mortgage Company whereby members who may not meet the loan eligibility requirements can gain access to and guidance on low cost loan products. This partnership has resulted in participation in seminars for first-time homebuyers.

### **Community Development Services**

The CRA regulation defines a community development service as a service that is primarily for community development purposes and is related to the provision of financial

services. Through the participation of the directors, management, and employees, the credit union is involved in providing support to local community development programs and projects. Through these involvements, the credit union's staff lends their technical expertise, experience and judgment to these organizations. Detailed below are Northern Massachusetts Telephone Workers' Credit Union's qualified community development services.

- Cambodian American League of Lowell (CALL): This is an organization formed to promote small businesses in the Cambodian community through micro-lending and technical assistance. The credit union's Administrative Assistant served as a member on the Advisory Committee and the Micro-enterprise Loan Committee for this organization.
- Acre Family Day Care Corporation (AFDCC): The credit union's Administrative Assistant serves as the President on the Board of Directors of the Acre Family Day Care Corporation. This non-profit organization promotes social and economic empowerment of under-served communities through education, advocacy, and ongoing support in the fields of childcare and economic development. The AFDCC provides direct services to families by administering high quality, culturally sensitive childcare for low-income children. The organization also provides training to low-income women to become licensed daycare providers.
- Massachusetts Credit Union Affordable Housing/Homeless Trust: The credit union's President/CEO serves on this committee. The Affordable Housing/Homeless Trust sponsors events and activities throughout the year to raise funds to benefit the homeless in Massachusetts.
- Boys and Girls Club of Greater Lowell: This organization is dedicated to providing activities and events in a safe environment for the underprivileged youth in the Greater Lowell area. The credit union's President/CEO sits on the Board of this organization.
- United Way: A Director of the credit union is actively involved with the United Way fundraising drive. The fundraising drive helps to support and sustain the activities of the United Way. The United Way offers community services targeted to low and moderate-income individuals. Approximately, 80 percent of funds are directed to low and moderate-income individuals.
- Although not all the following activities meets the technical requirements to qualify as a community development service, a large percentage of the involvement includes activities that are community and civic oriented including: the Wilmington Arena, Bell Atlantic Pioneers, Human Resource Network, American Cancer Society, Children's Hospital, and many others.

## **Educational Seminars**

The credit union's officers and employees have also participated in seminars and other events sponsored or co-sponsored by the credit union during 2001 and 2002. These events provide opportunities for credit union representatives to inform those in attendance about the products and services offered by the credit union.

The credit union is involved with the lending programs of Homeowner Options for Massachusetts Elders (HOME). HOME is an independent non-profit agency dedicated to helping low and moderate-income senior citizens remain in their homes. HOME provides counseling, education, lending programs and various other services.

On April 17, 2002, the credit union sponsored its first First-time Homebuyer seminar. The program featured an overview of the home- buying process, applying and qualifying for mortgages, legal aspects of purchase and sales agreements. Speakers included an attorney, appraiser, home inspector, lender, and credit bureau representative.

Credit Union staff members have also designed and participated in a program to teach children to save. This program is done in partnership with the Boys and Girls Club of Lowell. The program features games, videos, and staff discussing the various budgeting, savings, and money managing techniques to help children learn the importance of financial management.

## **Conclusion - Service Test**

In summary, Northern Massachusetts Telephone Workers' Credit Union's has demonstrated a very good level of delivering retail-banking services that are readily accessible to members of different income levels. The credit union's officers and employees have provided a high level of service activities primarily for community development purposes that are related to the provision of financial services. Therefore, the credit union's service test is considered to be high satisfactory.

## **INVESTMENT TEST**

Under 209 CMR section 46.61 "A credit union that achieves at least a 'Satisfactory' rating under the Lending and Service Tests may warrant consideration for an overall rating of 'High Satisfactory' or 'Outstanding'. In assessing whether a credit union's performance is 'High Satisfactory' or 'Outstanding', the Division will also consider the credit union's performance in making qualified investments to the extent authorized by law".

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. In recognition of the many legal limitations on an institutions investments, and the long-term nature and complexity of many community development investments, the CRA regulation allows some reasonable consideration for the entire institution's portfolio of qualified investments; not just those made since the previous CRA examination.

### ***Charitable Contributions***

Northern Massachusetts Telephone Workers' Credit Union has contributed to organizations that provide education and training, neighborhood revitalization, youth programs, and health and human services for individuals in need, and support business growth and development.

In 2001, Northern Massachusetts Telephone Workers' Credit Union provided \$15,690 in charitable contributions, \$8,900 or 56.7 percent of which were in support of programs that promote community development, as defined under the CRA regulation. In 2002, the credit union granted \$22,583 in charitable contributions, \$14,875 or 65.9 percent were considered CRA qualified contributions.

The following includes (but is not limited to) some of the organizations that Northern Massachusetts Telephone Workers' Credit Union contributed to that were considered to be qualified investments.

Organizations that provide social services, aid in emergencies, and assist families in need such as Homeless of Massachusetts and Lazarus House Ministries.

Organizations that provide school, youth, and educational programs such as: the Lowell Boys and Girls Club; Children of Mustard Seed Communities; Eascorp Kids at Heart; Acre Family Day Care; Lowell Housing Authority Youth Activities Program, Inc; and Kids in Disability. Also, organizations that provide for the elderly such as Homeowner Options for Massachusetts Elders.

## **APPENDIX A**

### **SCOPE OF EXAMINATION**

The examination included a review of all consumer loans in 2002 and a sample of loan in 2001. Also included, were HMDA reportable loans for 2001 and 2002. Only a sample of consumer loans was used in 2001 because the credit union had not yet purchased the software that enabled it to track all of its consumer loans in 2002.

Northern Massachusetts Telephone Workers' Credit Union's membership is considered its assessment area.

**THE COMMONWEALTH OF MASSACHUSETTS**

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

**NORTHERN MASSACHUSETTS TELEPHONE WORKERS' CREDIT UNION**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **APRIL 22, 2003**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.